

3rd Quarter Consolidated Financial Results for the Year Ending March 31, 2022

(All financial information has been prepared in accordance with Generally Accepted Accounting Principles in Japan)

February 2, 2022

Company name	: DAICEL CORPORATION
Stock Exchange on which the shares are listed	: Tokyo Stock Exchange in Japan
Code number	: 4202
URL	: https://www.daicel.com
Representative	: Yoshimi Ogawa, President and CEO
Contact person	: Masahiko Hirokawa, General Manager–Investor Relations & Corporate Communications Phone +81-3-6711-8121
Scheduled date for submitting financial statements	: February 14, 2022
Scheduled date for dividend payment	: -
The additional materials of the Financial Results	: Yes
The briefing session of the Financial Results	: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (% of change from previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended Dec. 31, 2021	342,979	21.9	39,281	109.8	43,181	113.5	23,502	109.2
Nine months ended Dec. 31, 2020	281,359	(10.0)	18,726	(17.3)	20,223	(16.7)	11,234	141.7

(Note) Comprehensive income: 36,664 millions of yen [66.9%] for the nine months ended December 31, 2021 and 21,974 millions of yen [165.5%] for the nine months ended December 31, 2020

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended Dec. 31, 2021	78.02	-
Nine months ended Dec. 31, 2020	37.10	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2021	679,646	268,960	38.6	877.12
As of Mar. 31, 2021	640,385	245,000	37.1	789.34

(Reference) Shareholders' equity: 262,108 millions of yen as of December 31, 2021 and 237,852 millions of yen as of March 31, 2021

2. Dividends

(Reference data)	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2021	-	16.00	-	16.00	32.00
Year ending Mar. 31, 2022	-	16.00	-	-	-
Year ending Mar. 31, 2022 (Forecast)	-	-	-	16.00	32.00

(Note) Revisions to the latest announced dividend forecast: Not applicable

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2022

(% of change from same period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2022	462,000	17.4	49,500	56.0	53,500	54.3	29,000	47.1	97.05

(Note) Revisions to the latest announced forecast of consolidated financial results: Applicable

*Notes

- (1) Changes in significant subsidiaries during the nine months ended Dec. 31, 2021: Not applicable
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation
- (2) Adoption of specific accounting methods for presenting quarterly financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- i Changes in accounting policies due to revisions of accounting standards: Applicable
 - ii Changes in accounting policies other than (3)-i: Not applicable
 - iii Changes in accounting estimates: Not applicable
 - iv Retrospective restatements: Not applicable

(4) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury shares)	As of Dec. 31, 2021	302,942,682 shares	As of Mar. 31, 2021	302,942,682 shares
ii Number of treasury shares at the end of each period	As of Dec. 31, 2021	4,113,296 shares	As of Mar. 31, 2021	1,609,633 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Nine months ended Dec. 31, 2021	301,233,559 shares	Nine months ended Dec. 31, 2020	302,813,263 shares

*This Quarter Consolidated Financial Results report is not subject to quarterly review.

*Explanations or other special matters to appropriate use of the forecast of consolidated financial results

The forecast of consolidated financial results and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections.

4. Qualitative Information on the Period under Review

(1) Overview of the operating results

Looking at the world trends during the consolidated third quarter of the fiscal year ending March 2022 (nine months ended December 31, 2021), although economic stagnation caused by the spread of COVID-19 has been recovering to some extent, the global economy remained uncertain due to further spread of COVID-19 and has been affected by decline in automobile production because of the semiconductor shortage and by logistics disruption.

Amid such circumstances, the Daicel Group has steadily seized sales opportunities offered by the recovery in demand and worked on sales price revisions and cost reductions.

Compared to the same period last year which was affected by COVID-19, the sales revenue for the consolidated third quarter of the fiscal year under review totaled ¥342,979million (up 21.9% year-on-year). On the income front, operating income amounted to ¥39,281 million (up 109.8% year-on-year), ordinary income was ¥43,181 million (up 113.5% year-on-year) and net income attribute to owners of the parent was ¥23,502 million (up 109.2% year-on-year).

Segment information is summarized as follows.

[Medical / Healthcare]

The healthcare business increased in sales revenue due to an increase in sales volume of cosmetic and health food ingredients.

The chiral separation business also increased in sales revenue due to an increase in sales volume of optical resolution columns.

The overall segment sales came to ¥14,585 million (up 21.9% year-on-year). Operating income amounted to ¥2,570 million (up 110.5% year-on-year) due to an increase of sales volume.

[Smart]

The display business, such as cellulose acetate for optical films, and high-performance films, registered growth in sales revenue due to higher sales volume as a result of a strong demand in LCD panels.

The IC/Semiconductor business, such as solvents for printed electronics and resist materials, increased in sales revenue driven by higher sales volume due to a strong demand in semiconductor market and sales price revisions.

The overall segment sales came to ¥24,040 million (up 36.8% year-on-year). Operating income amounted to ¥4,868 million (up 134.0% year-on-year), due to an increase of sales volume and sales price revisions.

[Safety]

As acquisition of new orders, the automobile airbag inflator (gas-generation device) and other mobility business increased in sales volume, resulting in higher revenue compared to the same period in the prior fiscal year despite the impact of lower automobile production due to the semiconductor shortage.

Consequently, overall segment sales came to ¥50,348 million (up 7.8% year-on-year). Operating income also came to ¥4,352 million (up 671.7 % year-on-year) due to an increase of sales volume and recovery of utilization rate.

[Material]

Although there were changes in accounting standards resulting in decline in sales volume, acetic acid business registered growth in sales revenue due to rising market conditions.

Sales revenue of acetic acid derivatives increased due to rising market conditions.

Acetate tow sales revenue was flat due to the effect of foreign exchange although sales volume decreased slightly due to a change in accounting standards

Caprolactone derivatives and alicyclic-epoxy-resin recorded higher sales revenue driven by higher sales volume due to recovery in demand for auto paint and electronic material applications.

Consequently, overall segment sales amounted to ¥89,223 million (up 19.1 % year-on-year). Operating income amounted to ¥18,340 million (up 68.8% year-on-year), due to an increase of sales price.

[Engineering Plastics]

In the business of Polyplastics Co., Ltd., such as polyacetal (POM), polybutylene terephthalate (PBT) resin, and liquid crystal polymer (LCP), sales revenue increased driven by higher sales volume due to the recovery of demand for automobiles and smartphones, and revised sales prices.

In the business of Daicel Miraizu Ltd., such as ABS and engineering plastic alloy resin, barriers for food and water-soluble polymers, sales volume increased due to a strong demand resulting in an increase in sales.

Consequently, overall segment sales amounted to ¥156,755 million (up 29.4% year-on-year). Operating income was ¥19,530 million (up 39.1% year-on-year) due to an increase of sales volume sales price revisions.

[Other Businesses]

Sales revenue of other businesses decreased due to lower sales volume of defense-related business.

Consequently, overall segment sales recorded ¥8,025 million (down 11.4% year-on-year). Operating income amounted to ¥1,119 million (down 13.0% year-on-year).

(2) Overview of financial position for the fiscal year under review

Total assets as of December 31, 2021 were ¥679,646 million, an increase of ¥39,261 million from March 31, 2021, due to increases in inventory and property, plant and equipment, despite a decrease in Cash and deposits.

Total liabilities were ¥410,686 million, an increase of ¥15,302 million from March 31, 2021, due to an increase in bills payable and accounts payable.

Total net assets were ¥268,960 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥262,108 million. Shareholders' equity ratio was 38.6%.

(3) Explanation regarding future forecast information of consolidated financial results

Based on the business results for the consolidated third quarter of the current fiscal year, the Company has revised its consolidated earnings forecasts for the full fiscal year ending March 31, 2022 announced on November 5, 2021. For details, please refer to the " Notice Regarding Recognition of Extraordinary Losses and Revision to Consolidated Financial Forecast for Fiscal Year ending March 31, 2022 " released today.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2021	As of Dec. 31, 2021
Assets		
Current assets		
Cash and deposits	90,827	75,219
Notes and accounts receivable – trade	93,159	99,697
Securities	709	1,405
Inventories	108,659	130,050
Other	19,200	27,969
Allowance for doubtful accounts	(31)	(40)
Total current assets	312,524	334,302
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	61,999	61,311
Machinery, equipment and vehicles, net	67,289	70,931
Land	30,306	31,378
Construction in progress	55,082	59,521
Other, net	5,042	4,693
Total property, plant and equipment	219,720	227,837
Intangible assets		
Goodwill	2,410	482
Other	8,197	9,763
Total intangible assets	10,607	10,246
Investments and other assets		
Investment securities	75,352	83,368
Other	22,238	23,949
Allowance for doubtful accounts	(58)	(57)
Total investments and other assets	97,532	107,260
Total non-current assets	327,860	345,344
Total assets	640,385	679,646

(Unit: Millions of Yen)

	As of Mar. 31, 2021	As of Dec. 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	49,419	57,742
Short-term borrowings	7,024	16,435
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	5,003	12,181
Income taxes payable	4,582	3,209
Provision for repairs	2,852	–
Other	43,684	44,366
Total current liabilities	112,566	143,935
Non-current liabilities		
Bonds payable	140,003	130,003
Long-term borrowings	115,568	105,679
Deferred tax liabilities	13,684	18,506
Provision for retirement benefits for directors	80	87
Provision for repairs	–	610
Provision for environmental measures	195	140
Net defined benefit liability	7,923	7,495
Asset retirement obligations	1,268	1,256
Other	4,094	2,970
Total non-current liabilities	282,818	266,750
Total liabilities	395,384	410,686
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	–	14
Retained earnings	152,816	166,747
Treasury shares	(1,446)	(3,436)
Total shareholders' equity	187,645	199,600
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,884	42,896
Deferred gains or losses on hedges	(27)	15
Foreign currency translation adjustment	8,689	15,213
Remeasurements of defined benefit plans	4,660	4,382
Total accumulated other comprehensive income	50,207	62,507
Non-controlling interests	7,148	6,852
Total net assets	245,000	268,960
Total liabilities and net assets	640,385	679,646

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021
Net sales	281,359	342,979
Cost of sales	204,728	240,035
Gross profit	76,631	102,944
Selling, general and administrative expenses	57,904	63,663
Operating profit	18,726	39,281
Non-operating income		
Interest income	171	173
Dividend income	1,389	1,612
Share of profit of entities accounted for using equity method	1,383	1,550
Net foreign exchange gains	-	694
Other	1,209	1,422
Total non-operating income	4,154	5,453
Non-operating expenses		
Interest expenses	835	1,015
Net foreign exchange losses	624	-
Bond issuance costs	457	-
Other	741	537
Total non-operating expenses	2,658	1,553
Ordinary profit	20,223	43,181
Extraordinary income		
Gain on disposal of non-current assets	58	206
Gain on sales of investment securities	1,345	773
Total extraordinary income	1,404	980
Extraordinary losses		
Loss on retirement of non-current assets	737	1,156
Impairment losses	1,755	9,779
Total extraordinary losses	2,492	10,935
Profit before income taxes	19,134	33,226
Income taxes		
Income taxes - current	3,899	8,180
Income taxes - deferred	1,423	1,065
Total income taxes	5,323	9,245
Profit	13,811	23,980
Profit attributable to non-controlling interests	2,576	478
Profit attributable to owners of parent	11,234	23,502

(3) Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021
Profit	13,811	23,980
Other comprehensive income		
Valuation difference on available-for-sale securities	6,430	6,011
Deferred gains or losses on hedges	33	42
Foreign currency translation adjustment	1,253	6,479
Remeasurements of defined benefit plans, net of tax	(7)	(274)
Share of other comprehensive income of entities accounted for using equity method	452	424
Total other comprehensive income	8,162	12,684
Comprehensive income	21,974	36,664
Comprehensive income attributable to		
owners of parent	19,323	35,802
non-controlling interests	2,650	862

6. Notes to Consolidated Financial Statements

(Change in the scope of consolidation or application of the equity method)

(Significant change in the scope of consolidation)

P Holdings, Inc. has been included in the scope of consolidation since it was newly established in the third quarter of the current fiscal year.

(Adoption of Accounting Standard for Revenue Recognition)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter “Accounting Standard for Revenue Recognition”) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) has been applied and recognized a revenue based on the amount estimated to be received in exchange for promised goods or services at the point when the control of such goods or services is transferred to the customer from the beginning of the fiscal year ending March 31, 2022.

In accordance with the transitional treatment set forth in the proviso of “Accounting Standard for Revenue Recognition” paragraph 84, the cumulative effect applying the new accounting policy retrospectively before the beginning of the fiscal year ending March 31, 2022, is added to or subtracted from the retained earnings as of the beginning of the fiscal year ending March 31, 2022.

However, hence applying “Accounting Standard for Revenue Recognition” paragraph 86, the new accounting standard is not applied retroactively before the beginning of the fiscal year ending March 31, 2022, to almost every contract which recognized revenue by previous treatment.

As a result, “Net sales” decreased by ¥4,976 million, “Cost of sales” decreased by ¥4,643 million, and “Operating Profit,” “Ordinary profit” and “Profit before income taxes” decreased by ¥332 million. In addition, “Retained earnings” at the beginning of the fiscal year ending March 31, 2022, decreased by ¥26 million.

(Adoption of Accounting Standard for Fair Value Measurement)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter “Accounting Standard for Fair Value Measurement”) and other has been applied from the beginning of the fiscal year ending March 31, 2022, and, in accordance with transitional measures set forth in “Accounting Standard for Fair Value Measurement” paragraph 19 and “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) paragraph 44-2, “Accounting Standard for Fair Value Measurement” and other has been decided to be applied into the future.

These changes had no impact on the consolidated financial statements.

(Notes to Consolidated Statements of Income)

(Impairment Losses)

Daicel group has recognized impairment losses on the following asset groups.

Nine months ended Dec. 31, 2020

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Tatsuno-shi, Hyogo)	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	2
		Machinery, equipment and vehicles	15
		Tools, furniture and fixtures	20
		Construction in progress	1,105
		Intangible assets and others	52
United States of America	Manufacturing facilities for automobile airbag inflators and gas generants	Construction in progress	559
Total			1,755

(Asset grouping method)

Assets are grouped by the in-house company, SBU, or BU as a minimum unit.

(Circumstances causing impairment losses)

It was considered difficult to recover the investment amounts due to the decline in the profitability of the inflator business in Japan and the U.S.A. Accordingly, we have written down the book value of the assets stated above at Harima Plant or in the U.S.A. to their recoverable value, and recorded the decreased amounts as "Impairment losses" under extraordinary losses.

(Calculation method of recoverable value)

The recoverable values were measured at the net selling price which was based on the appraisal value of real estate.

Nine months ended Dec. 31, 2021

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Himeji-shi, Hyogo)	Manufacturing facilities for cosmetic raw materials	Construction in progress	8,385
-	Others	Goodwill	1,394
Total			9,779

(Asset grouping method)

Assets are grouped by the in-house company, SBU, or BU as a minimum unit.

(Circumstances causing impairment losses)

1. Manufacturing facilities for cosmetic raw materials

It was considered difficult to recover the investment amounts due to decline in the profitability of the healthcare business as the cosmetics market environment deteriorated on account of the impact of the COVID-19. Accordingly, we have written down the book value of the assets stated above, and recorded the decreased amounts as "Impairment losses" under extraordinary losses.

2. Others

The goodwill of Lomapharm GmbH, the consolidated subsidiary, which evaluation based on its excess earning power at the time of stock acquisition has been written down the entire unamortized balance due to the decline of its profitability. The decreased amount is recorded as "Impairment losses" under extraordinary losses.

(Calculation method of recoverable value)

The recoverable values were determined based on value in use.

The value in use for Manufacturing facilities for cosmetic raw materials was calculated by discounting future cash flow at a rate of 8.4%, and Others at 12.0%.

7. Segment Information

Nine months ended Dec. 31, 2020

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	11,964	17,573	46,698	74,901	121,161	9,061	281,359	-	281,359
Intersegment sales	194	112	-	6,347	759	9,505	16,919	(16,919)	-
Total	12,158	17,685	46,698	81,248	121,920	18,566	298,278	(16,919)	281,359
Operating profit	1,221	2,080	564	10,864	14,044	1,287	30,063	(11,336)	18,726

2. Information on Impairment Losses of Non-current Assets by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Impairment losses	-	-	1,755	-	-	-	-	1,755

Nine months ended Dec. 31, 2021

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	14,585	24,040	50,348	89,223	156,755	8,025	342,979	-	342,979
Intersegment sales	381	364	-	8,132	200	8,918	17,997	(17,997)	-
Total	14,967	24,405	50,348	97,355	156,955	16,944	360,977	(17,997)	342,979
Operating profit	2,570	4,868	4,352	18,340	19,530	1,119	50,782	(11,501)	39,281

2. Information on Impairment Losses of Non-current Assets by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Impairment losses	9,779	-	-	-	-	-	-	9,779

(Note) Medical / Healthcare has determined that it could not expect to generate cash inflows sufficient to recover the invested capital in future and we recorded Impairment losses of noncurrent assets and goodwill by ¥9,779 million for the nine months ended December 31, 2021.

3. Matters Regarding the Changes in Reportable Segment

(Application of the Accounting Standard for Revenue Recognition)

As indicated in Accounting Policy Changes, "Accounting Standard for Revenue Recognition" and other has been applied from the beginning of the fiscal year ending March 31, 2022, and the measurement method for profit or loss in the Reportable Segment has changed due to the change of the accounting method for revenue recognition. As a result, in the nine months ended December 31, 2021, Net sales for the "Medical / Healthcare" segment decreased by ¥1 million, Net sales for the "Smart" segment decreased by ¥66 million and Operating profit decreased by ¥66 million, Net sales for the "Safety" segment decreased by ¥1 million, Net sales for the "Materials" segment decreased by ¥4,622 million and Operating profit decreased by ¥294 million, Net sales for the "Engineering Plastics" segment decreased by ¥270 million and Operating profit increased by ¥28 million, and Net sales for the "Others" segment decreased by ¥13 million and Operating profit decreased by ¥1 million compared using the previous accounting method.